

Bailey, Hodshire
& Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

479 E. CHICAGO STREET
P.O. BOX 215
JONESVILLE, MI 49250

PHONE: (517) 849-2410
FAX: (517) 849-2493
E-MAIL: BAILEYHODSHIRE@SBCGLOBAL.NET

INDEPENDENT AUDITOR'S REPORT

To the Supervisor and
Members of the Township Board
Township of Butler
Quincy, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Butler as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Butler as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and page 18, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Butler's basic financial statements. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Bailey, Hodshire & Company, P.C.

Jonesville, Michigan
January 23, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF BUTLER

As the Township Board of the Township of Butler, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements which follow this section.

Financial Highlights

The following represents the most significant financial highlights for the year ended March 31, 2008:

- The assets of the Township exceeded its liabilities at March 31, 2008 by \$214,090 (net assets). Of this amount, \$94,009 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of March 31, 2008, the Township's governmental funds reported combined ending fund balances of \$98,294, an increase of \$17,873. The amount available for spending at the government's discretion (unreserved fund balance) is \$94,009.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township of Butler's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business and, therefore, are prepared using the accrual basis of accounting. These statements provide a longer-term view of the Township's finances and whether taxpayers have funded the full cost of providing government services. The first two statements are government-wide and include the following:

- The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.
- The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and state shared revenues).

The government-wide financial statements can be found on pages 7 - 8 of this report.

Fund financial statements - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township of Butler, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report the Township's operations in more detail than the government-wide financial statements. These statements present a short-term view and tell how taxpayer resources were spent during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF BUTLER

All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

- **Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township of Butler maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Cemetery Perpetual Care Permanent Fund.

The Township adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 9 - 10 of this report.

- **Fiduciary Funds -** Fiduciary funds are used to account for resources held for the benefit of parties outside the government, such as the Tax Fund where property taxes are collected and disbursed on behalf of and to other local units of government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township of Butler's own programs.

The basic fiduciary fund financial statement can be found on page 11 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 - 17 of this report.

The Township as a Whole

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps explain the condition of the Township. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWNSHIP OF BUTLER

In a condensed format, the table below shows the net assets of the Township as of the end of the past two years:

TABLE 1 - NET ASSETS	<u>2007</u>	<u>2008</u>
Assets:		
Current Assets	\$ 80,421	\$ 98,676
Non Current Assets	<u>117,869</u>	<u>115,796</u>
Total Assets	<u>\$ 198,290</u>	<u>\$ 214,472</u>
Liabilities:		
Current Liabilities	\$ 0	\$ 382
Long-term Liabilities	<u>0</u>	<u>0</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 382</u>
Net Assets:		
Invested in Capital Assets, net of related debt	\$ 35,948	\$ 33,749
Investment in Joint Venture Fire Department	81,921	82,047
Restricted	4,183	4,285
Unrestricted	<u>76,238</u>	<u>94,009</u>
Total Net Assets	<u>\$ 198,290</u>	<u>\$ 214,090</u>

The following table shows the changes in the net assets during the past two years:

TABLE 2 - CHANGE IN NET ASSETS		
Program Revenue:		
Charges for services	\$ 12,614	\$ 12,476
Operating grants and contributions	0	0
Capital grants and contributions	0	0
General Revenue:		
Property tax	25,451	27,695
State shared revenue	92,932	93,127
Unrestricted investment income	140	223
Miscellaneous	<u>2,121</u>	<u>5,392</u>
Total Revenue	<u>\$ 133,258</u>	<u>\$ 138,913</u>
Expenses:		
General Government	\$ 75,220	\$ 61,214
Public Safety	36,347	36,448
Public Works	<u>43,083</u>	<u>25,451</u>
Total Expenses	<u>\$ 154,650</u>	<u>\$ 123,113</u>
INCREASE IN NET ASSETS	<u>\$ (21,392)</u>	<u>\$ 15,800</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF BUTLER

Governmental Activities

As shown above, governmental activities increased the Township's net assets by \$15,800. Key elements of this modest increase were slight increases in property taxes and state revenue sharing, along with a decrease in road expenditures.

The Township's Funds

The Township's major funds include the General Fund and the Cemetery Fund. The General Fund pays for most of the Township's governmental services. The most significant are road work and fire protection. These areas incurred expenses of approximately \$61,899 for the fiscal year.

General Fund Budgetary Highlights

The Township amended the budget for the General Fund once during the year to prevent over-expenditures in four areas. With this amendment, all but one of the expenditure items were within budgeted amounts at year-end.

Capital Asset and Debt Administration

At the end of fiscal year 2008, the Township had \$33,749 (net of depreciation) invested in land, buildings, and equipment. There is no related infrastructure reported in the year end net capital investment because the roads are not the property of the Township. Details of the Township's capital assets are continued in the notes to the financial statements on page 16. The Township has no outstanding debt.

Economic Factors and Next Year's Budgets and Rates

The poor economy in the State of Michigan continues to affect local governments, so the Township only budgeted for a small increase in state shared revenue for 2008-09.

The Quincy Fire Association would like to purchase a used pumper truck during 2008-09, at cost of approximately \$165,000. Through its membership in the Association, Butler Township would be responsible for \$32,000 of the cost (\$6,400 over five years).

Contacting the Township's Management

This Financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township office.

TOWNSHIP OF BUTLER
STATEMENT OF NET ASSETS
MARCH 31, 2008

ASSETS

Cash & investments	\$ 74,887
Accounts receivable	19,079
Prepaid expenses	4,710
Capital assets - net	33,749
Investment in joint venture fire department	<u>82,047</u>
Total assets	<u>\$ 214,472</u>

LIABILITIES

Accounts payable	\$ 382
Long-term debt	<u>0</u>
Total liabilities	<u>\$ 382</u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 33,749
Investment in joint venture fire department	82,047
Restricted:	
Perpetual care	4,285
Unrestricted	<u>94,009</u>
Total net assets	<u>\$ 214,090</u>
Total liabilities and net assets	<u>\$ 214,472</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF BUTLER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
Governmental Activities:					
General Government	\$ 61,214	\$ 12,476	\$ 0	\$ 0	\$ (48,738)
Public Safety	36,448	0	0	0	(36,448)
Public Works	<u>25,451</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(25,451)</u>
Total Governmental Activities	<u>\$ 123,113</u>	<u>\$ 12,476</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$(110,637)</u>
General revenue:					
Property taxes levied for general purposes					\$ 27,695
State shared revenue					93,127
Unrestricted investment income					223
Miscellaneous					<u>5,392</u>
Total general revenue					<u>\$ 126,437</u>
Change in net assets					\$ 15,800
Net assets - beginning					<u>198,290</u>
Net assets - ending					<u>\$ 214,090</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF BUTLER
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2008

	General Fund	Permanent Fund Cemetery	Total Governmental Funds
ASSETS			
Cash & investments	\$ 70,602	\$ 4,285	\$ 74,887
Taxes receivable	4,446	0	4,446
Due from other governmental units	14,633	0	14,633
Prepaid expenditures	<u>4,710</u>	<u>0</u>	<u>4,710</u>
Total assets	<u>\$ 94,391</u>	<u>\$ 4,285</u>	<u>\$ 98,676</u>
LIABILITIES			
Accounts Payable	<u>\$ 382</u>	<u>\$ 0</u>	<u>\$ 382</u>
FUND BALANCES			
Reserved for cemetery care	\$ 0	\$ 4,285	\$ 4,285
Unreserved/Undesignated	<u>94,009</u>	<u>0</u>	<u>94,009</u>
Total fund balances	<u>\$ 94,009</u>	<u>\$ 4,285</u>	<u>\$ 98,294</u>
Total liabilities and fund balances	<u>\$ 94,391</u>	<u>\$ 4,285</u>	<u>\$ 98,676</u>

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to the Net Assets of Governmental Activities on the Statement of Net Assets

Fund Balances - total governmental funds	\$ 98,294
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: Capital assets	49,736
Deduct: Accumulated depreciation	(15,987)
The investment in the joint venture fire department is reported in the government-wide financial statements only	<u>82,047</u>
Net assets of governmental activities	<u>\$ 214,090</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF BUTLER
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
MARCH 31, 2008

	General Fund	Permanent Fund Cemetery	Total Governmental Funds
REVENUE			
Property taxes	\$ 27,695	\$ 0	\$ 27,695
Tax administration fees	5,778	0	5,778
State shared revenue	93,127	0	93,127
Charges for services	6,698	0	6,698
Interest	68	155	223
Reimbursements and refunds	1,958	0	1,958
Miscellaneous	<u>3,434</u>	<u>0</u>	<u>3,434</u>
Total revenue	<u>\$ 138,758</u>	<u>\$ 155</u>	<u>\$ 138,913</u>
EXPENDITURES			
General Government	\$ 58,962	\$ 53	\$ 59,015
Public Safety	36,574	0	36,574
Public Works	<u>25,451</u>	<u>0</u>	<u>25,451</u>
Total expenditures	<u>\$ 120,987</u>	<u>\$ 53</u>	<u>\$ 121,040</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	\$ 17,771	\$ 102	\$ 17,873
FUND BALANCES - March 31, 2007	<u>76,238</u>	<u>4,183</u>	<u>80,421</u>
FUND BALANCES - March 31, 2008	<u>\$ 94,009</u>	<u>\$ 4,285</u>	<u>\$ 98,294</u>

Reconciliation of Statement of Revenue, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities

Net changes in fund balances - total governmental funds	\$ 17,873
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Add: Capital outlay	0
Deduct: Depreciation expense	(2,199)
The change in net assets of the joint venture Fire Department is reported in the government-wide financial statements only	<u>126</u>
Change in net assets of governmental activities	<u>\$ 15,800</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF BUTLER
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
MARCH 31, 2008

ASSETS

Cash	\$ <u>0</u>
------	-------------

LIABILITIES

Due to Township general fund	\$ 0
------------------------------	------

Due to other governmental units	<u>0</u>
---------------------------------	----------

	<u>\$ 0</u>
--	-------------

The accompanying notes are an integral part of this statement.

TOWNSHIP OF BUTLER
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Butler is located in Branch County, Michigan, and comprises a population of approximately 1,362 residents. It is governed by a board consisting of 5 members with a supervisor as its head.

The accounting policies of the Township of Butler conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The following is a summary of significant accounting policies used by the Township of Butler:

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Township consists of all funds, departments, boards and agencies that are not legally separate from the Township.

Component units are legally separate organizations for which the Township is financially accountable. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt, or the levying of taxes. The Township has no component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements (the statement of net assets and the statement of activities) report information about the Township as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Property taxes, state shared revenue, and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Township.

Fund Financial Statements - Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds (if any) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

TOWNSHIP OF BUTLER
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is to be collected with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting.

Under the modified accrual basis, property taxes, state shared revenue, interest, and grants are considered to be both measurable and available at fiscal year-end. All other revenue items are considered to be available only when cash is received by the Township.

Financial Statement Presentation

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The Township reports the following major governmental funds:

General Fund - used to account for all financial resources except those required to be accounted for in another fund. General Fund activities are financed primarily by revenue from general property taxes and state-shared revenue. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

Permanent Fund - accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for perpetual care of cemetery lots.

Additionally, the Township reports the following fund type:

Fiduciary Fund/Trust and Agency Fund

Tax Collection Fund - used to account for property taxes collected from residents on behalf of the Township along with other governmental units in the county. This fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Assets, Liabilities, and Net Assets

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

TOWNSHIP OF BUTLER
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables and Payables - In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year is referred to as “advances to/from other funds.” All property tax receivables are considered to be fully collectible.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Equipment	5 to 7 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTE 2 - JOINT VENTURE

The Township is a participant in a joint venture agreement with three other governmental units (Village of Quincy, Township of Quincy, Township of Algonsee) for the operation of the Quincy Fire Association (the “Association”). In accordance with the provisions of Governmental Accounting Standards Board No. 14, the joint venture results from the ongoing financial responsibility of the Association’s operations agreed to by the governmental units pursuant to the contractual agreement. Each governmental unit appoints two members of the nine-member Board of Directors which oversees the operations. The ninth member is appointed by the Board. Each governmental unit is responsible for a prorata share of the projected expenditures of the Association each year. Butler Township’s share is 16%.

The Association reported revenue in excess of expenses in the amount of \$787 for its year ended March 31, 2008. Butler Township has reported \$126 of the revenue over expenses in its Statement of Activities. The Township’s investment in the joint venture is reported in the Statement of Net Assets in the amount of \$82,047. The financial activity of the Association is audited by other auditors. Financial statements may be obtained by contacting the Association at 39 E. Chicago Street, Quincy, MI 49082.

TOWNSHIP OF BUTLER
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Township Board at the line-item level. Any budgetary modifications may only be made by resolution of the Township Board. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements:

- 1) Prior to March 31, the Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
- 2) A public hearing is conducted during March to obtain taxpayer comments.
- 3) Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

During the year, the Township incurred expenditures in the general fund which were in excess of the amounts appropriated, as follows:

<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government - Township hall	\$ 1,750	\$ 2,119	\$ 369

NOTE 4 - DEPOSITS AND INVESTMENTS

State of Michigan laws authorize the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's investment policy puts no further limits on its investment choices. As of March 31, 2008, the Township's deposits are in accordance with statutory authority.

Following are the components of the Township's bank deposits at March 31, 2008:

Checking Accounts	\$ 61,398
Savings Accounts	9,989
Certificates of Deposit	<u>3,500</u>
Total	<u>\$ 74,887</u>

Interest Rate Risk - In accordance with its investment policy, the Township manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and by investing operating funds primarily in certificates of deposit.

TOWNSHIP OF BUTLER
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk - The Township minimizes credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in its investment policy.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC). At March 31, 2008, the carrying amount of the Township's deposits was \$74,887 and the bank balance was \$77,898. The entire bank balance was covered by federal depository insurance.

Foreign Currency Risk - The Township is not authorized to invest in investments which have this type of risk.

NOTE 5 - RECEIVABLES

Receivables at March 31, 2008, consist of property taxes and are considered collectible in full.

NOTE 6 - CAPITAL ASSETS

Capital asset activity of the Township's governmental activities was as follows:

	Balance <u>April 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>March 31, 2008</u>
Capital assets not being depreciated				
Land	\$ 13,750	\$ 0	\$ 0	\$ 13,750
Capital assets being depreciated				
Buildings & Improvements	\$ 20,458	\$ 0	\$ 0	\$ 20,458
Equipment	<u>15,528</u>	<u>0</u>	<u>0</u>	<u>15,528</u>
Total capital assets being depreciated	<u>\$ 35,986</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 35,986</u>
Less: accumulated depreciation:				
Buildings & Improvements	\$ (8,998)	\$ (409)	\$ 0	\$ (9,407)
Equipment	<u>(4,790)</u>	<u>(1,790)</u>	<u>0</u>	<u>(6,580)</u>
Total accumulated depreciation	<u>\$ (13,788)</u>	<u>\$ (2,199)</u>	<u>\$ 0</u>	<u>\$ (15,987)</u>
Total capital assets being depreciated - net	<u>\$ 22,198</u>	<u>\$ (2,199)</u>	<u>\$ 0</u>	<u>\$ 19,999</u>
Total capital assets, net	<u>\$ 35,948</u>	<u>\$ (2,199)</u>	<u>\$ 0</u>	<u>\$ 33,749</u>

Depreciation expense was charged to functions/programs of the Township as follows:

General Government	<u>\$ 2,199</u>
--------------------	-----------------

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

There were no interfund balances at March 31, 2008.

Interfund transfers during the year consisted of the following:

Transfer from Tax Collection Fund to General Fund	\$ 29,686
---	-----------

TOWNSHIP OF BUTLER
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 8 - PROPERTY TAXES

Real estate and personal property taxes are recorded as revenue in an amount equal to the total taxes levied. There are no provisions made for possible uncollectible taxes. The total levy for 2007 was .7984 mills for general operations on a total state taxable valuation of approximately \$34,681,000. The Township properties are assessed as of December 31 (the lien date), taxes levied December 1 of the succeeding year and due without interest to March 1. After March 1, the delinquent taxes real portion are turned over to the County Treasurer for collection. The personal properties continue to be collectible by the Township Treasurer.

NOTE 9 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents), workers compensation, and other appropriate coverages. There has been no significant reduction in insurance coverages, and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

NOTE 10 - UNEMPLOYMENT TAXES

The Township is a reimbursing employer to the Michigan Unemployment Insurance Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of March 31, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfilled.

NOTE 11 - PENSION PLAN

The Township maintains a defined contribution pension plan for elected officials. The Township officials must have attained 18 years of age, with no minimum service requirements for full vesting. Employee contributions are not required, but may be made voluntarily.

The Township is required to make annual contributions to the plan based on percentages at different compensation levels. Total covered payroll under the plan for the year ended March 31, 2008, was \$22,315 and total contributions were \$3,934.

NOTE 12 - COMMITMENTS

At its March, 2008 meeting, the Township Board approved contracts with the Branch County Road Commission totaling \$22,057 (Township share) for road work to be performed in the 2008-09 fiscal year.

TOWNSHIP OF BUTLER
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008

	Original <u>Budget</u>	Final Amended <u>Budget</u>	<u>Actual</u>	Variance With Amended <u>Budget</u>
Beginning of year fund balance	\$ 52,842	\$ 52,842	\$ 76,238	\$ 23,396
Resources (inflows)				
Township tax levy	24,899	24,899	27,695	2,796
Tax administration fees	5,862	5,862	5,778	(84)
State Shared Revenue	90,000	90,000	93,127	3,127
Charges for services	5,000	5,000	6,698	1,698
Interest earnings	100	100	68	(32)
Reimbursements and refunds	0	0	1,958	1,958
Miscellaneous	<u>0</u>	<u>0</u>	<u>3,434</u>	<u>3,434</u>
Amounts available for appropriation	<u>\$ 178,703</u>	<u>\$ 178,703</u>	<u>\$ 214,996</u>	<u>\$ 36,293</u>
Charges to appropriations (outflows)				
General Government				
Supervisor	\$ 8,000	\$ 8,000	\$ 7,063	\$ (937)
Clerk	8,750	8,750	7,842	(908)
Treasurer	10,250	10,250	9,379	(871)
Assessor	9,000	9,000	8,429	(571)
Board of review	1,000	1,000	571	(429)
Township board	19,000	19,000	14,917	(4,083)
Township hall	1,000	1,750	2,119	369
Elections	1,000	3,000	2,642	(358)
Cemetery	7,500	7,500	6,000	(1,500)
Public Safety				
Fire services contract	40,000	40,000	36,574	(3,426)
Public Works				
Drains	2,000	3,500	3,490	(10)
Roads	<u>21,000</u>	<u>22,000</u>	<u>21,961</u>	<u>(39)</u>
Total charges to appropriations	<u>\$ 128,500</u>	<u>\$ 133,750</u>	<u>\$ 120,987</u>	<u>\$ (12,763)</u>
End of year fund balance	<u>\$ 50,203</u>	<u>\$ 44,953</u>	<u>\$ 94,009</u>	<u>\$ 49,056</u>

TOWNSHIP OF BUTLER
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CURRENT TAX COLLECTION FUND
FOR THE YEAR ENDED MARCH 31, 2008

	Balance <u>April 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>March 31, 2008</u>
ASSETS				
Cash	\$ <u>0</u>	\$ <u>508,301</u>	\$ <u>508,301</u>	\$ <u>0</u>
LIABILITIES				
Due to Other Funds	\$ 0	\$ 29,686	\$ 29,686	\$ 0
Due to Other Governments	<u>0</u>	<u>478,615</u>	<u>478,615</u>	<u>0</u>
	<u>\$ 0</u>	<u>\$ 508,301</u>	<u>\$ 508,301</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this statement.

Bailey, Hodshire
& Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

479 E. CHICAGO STREET
P.O. BOX 215
JONESVILLE, MI 49250

PHONE: (517) 849-2410
FAX: (517) 849-2493
E-MAIL: BAILEYHODSHIRE@SBCGLOBAL.NET

January 23, 2009

Township of Butler
Quincy, Michigan

In planning and performing our audit of the financial statements of the Township of Butler as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

We noted other matters involving the internal control and its operation that we did not consider to be significant deficiencies or material weaknesses, but are opportunities for improvement:

Budget

There was one small instance where expenditures exceeded the budgeted amount. We recommend that the Township continue to monitor the budget carefully to avoid over-expenditure.

This communication is intended solely for the information and use of the Township Board and others within the Township, and is not intended to be and should not be used by anyone other than these specified parties.

Bailey, Hodshire & Company, P.C.

Jonesville, Michigan
January 23, 2009